



National Film Board of Canada

2012–13

Quarterly Financial Report for the quarter ended June 30, 2012

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1. Introduction

The National Film Board of Canada (NFB) was created by an act of Parliament in 1939. A federal cultural agency within the Canadian Heritage portfolio, the NFB exists to produce and distribute original and innovative audiovisual works that add to our understanding of the issues facing Canadians and raise awareness of Canadian values and viewpoints across the country and around the world. The NFB serves Canadians by producing and making accessible, in all regions of the country and on all available platforms, rich and diverse cultural content that reflects Canada's rapidly shifting demographic profile – content that would otherwise not be produced. A brief description of the agency's activities for the current year can be found in Part II of the Main Estimates.

This quarterly report has been prepared by management as required by Section 65.1 of the Financial Administration Act, and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates, as well as with *Canada's Economic Action Plan 2012 (Budget 2012)*.

2. Basis of presentation

This quarterly report has been prepared by management using expenditure accounting. The accompanying Statement of Authorities includes the agency's spending authorities granted by Parliament and those used by the agency consistent with the Main Estimates and Supplementary Estimates for the 2011–12 fiscal year. This quarterly report has been prepared using a special-purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits through the Appropriation Act or through legislation in the form of statutory spending authority for specific purposes.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1, preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29, 2012, after the tabling of the Main Estimates on February 28, 2012. As a result, the measures announced in Budget 2012 could not be reflected in the 2012–13 Main Estimates.

In fiscal year 2012–13, frozen allotments will be established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings measures in Budget 2012. In future years, the changes to departmental authorities will be implemented through the Annual Reference Level Update, as approved by Treasury Board, and reflected in the subsequent Main Estimates tabled in Parliament.

The NFB uses the full accrual method of accounting to prepare its annual financial statements in accordance with Treasury Board accounting principles, which are consistent with generally

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accepted Canadian accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

This quarterly report has not been subject to an external audit or review.

3. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

This section highlights the principal factors that contributed to the variances in projected and real expenditure, and expected and earned revenues for the quarter ended June 30.



The table above indicates the total budgetary authorities granted to the NFB for fiscal year 2012–13. These have remained stable compared to last year, with projected expenditures standing at \$66.8 million.

Expenditures in the first quarter of 2012–13 totalled \$15.8 million, \$1.1 million higher than expenditures for the same period last year. The difference can be attributed primarily to the following factors:

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Variances in Revenues

As indicated in Table 2, actual revenues declined by \$189,000. In 2010–11, the NFB signed an agreement with the Nunavut government's Ministry of Education for a major project under the *Inuit Audiovisual Legacy* initiative. In the first quarter of 2011–12, revenues amounted to \$155,000. Further deliverables have been confirmed for the fall of 2012–13 and will generate corresponding revenues.

Variances in Expenditures

Total gross expenditures in the first quarter of 2012–13 rose from \$15.6 to \$16.5 million, an increase of \$909,000 compared to the same period last year.

The disbursement of severance pay to excluded and unrepresented employees after elimination of the severance program was the primary contributing factor to this one-time expenditure increase. Also, we observed a higher cost for the professional and special services expenditures associated with the production of audiovisual works. During the first quarter of 2011–12, the NFB incurred significant expenditures to release digital rights in order to achieve a critical mass of films for the CAMPUS educational site launch and to acquire rights to *Pink Ribbons, Inc.* and *Payback*, both of which were successful productions.

The other types of expenditures by standard object are in line with the historic trends.

4. Risks and Uncertainties

New digital technologies are revolutionizing the audiovisual industry in Canada and around the world. That revolution naturally provides tremendous new opportunities and potential for new business models, of which the NFB intends to take full advantage. The NFB has made great strides in this realm, thanks to its technological plan and innovative digitization plan, which is recognized by the industry as a whole. New digital distribution platforms, such as the NFB.ca online Screening Room, the development of a transaction platform with downloading and on-demand video capability, the new educational site CAMPUS, and the accessibility of audiovisual products on mobile platforms like tablets and smartphones, are only some of the numerous initiatives the NFB is advancing as it continues its digital shift in response to the new environment. These technological advances require significant financial outlays; in order to meet the challenge, the NFB has been reviewing internal procedures for several years to achieve new efficiencies and reinvest the savings in its strategic priorities.

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Below is an overview of the principal risks the NFB will face in 2012–13.

External Risks

Traditional television broadcasting models are continuing to disappear, markets are continuing to evolve and becoming increasingly fragmented, while broadcasting licence budgets are continuing to decline. Over the past few years, these changes have led to a significant decline in the NFB's revenues from traditional sources. With its 2011–16 Business Plan, the NFB intends to generate new growth by continuing to develop a variety of outlets made possible largely by the rise in Web-based digital consumption.

Internal Risks

The physical safety of NFB assets is one of the organization's risk-management priorities. The NFB holds one of the world's largest collections of audiovisual works, a priceless legacy for all Canadians. The NFB has thus implemented a preservation and conservation plan to protect its collection over the long term. Over the next three years, 5,200 cubic feet of material will be relocated. In the first quarter of 2012–13, 60% of the collection – copies of every work – was moved, and the project is proceeding on schedule.

The NFB is continuing with its established seven-year digitization and digital archiving plan, which presents numerous technical and financial challenges.

5. Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs, make it easier for Canadians and business to deal with their government, and modernize and reduce the back office.

The NFB will achieve Budget 2012 savings of \$6.7 million (10% of its budget) by fiscal year 2014–15 through both reductions and cutbacks that streamline and focus operations while ensuring continued quality delivery to Canadians on its important mandate.

The NFB's savings target for the first year of implementation is \$110,000. Savings will increase to \$3.3 million in 2013–14, and ongoing savings will be \$6.7 million by 2014–15.

The principal measures the NFB plans to implement are the following:

- On September 1, 2012, individual screening booths and screening rooms at the Toronto Mediatheque and Montreal CineRobotheque will be closed. The educational workshops will continue to be offered at the Montreal head office and at the usual premises in Toronto, where a public exhibition space will also be available;

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- On April 1, 2012, the "Festivals and Events" component of the Grants and Contributions Program will be abolished;
- Amounts allocated to the production of audiovisual works will be reduced slightly, by 1% of the NFB's total budget;
- Administrative services will be consolidated in regional offices;
- New work procedures will be instituted in all NFB divisions, particularly in the areas of linguistic services management, rights management and general administration. The NFB will continue to streamline its physical spaces and expects to save additional amounts.

The NFB has received no additional funds to implement the above measures.

6. Significant Changes in Relation to Operations, Personnel and Programs

No significant changes related to operations, personnel and programs having an impact on financial reporting occurred during the quarter ended June 30, 2012.

Approved by:

Tom Perlmutter
Government Film Commissioner

Montreal, Canada

August 31, 2012

Luisa Frate
Director General, Finance,
Operations and Technology
(Chief Financial Officer)
Montreal, Canada

August 31, 2012

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Table 1 : Statement of Authorities (unaudited)

	Fiscal Year 2012-13		
	Total available for use for the year ending March 31, 2013*	Used during the quarter ended June 30, 2012	Year to date used at the quarter-end
Vote 70 - Operating expenditures	66,782,204	15,760,029	15,760,029
Total Budgetary authorities	66,782,204	15,760,029	15,760,029
Total authorities	66,782,204	15,760,029	15,760,029

**Includes only Authorities available for use and granted by Parliament at quarter-end)*

	Fiscal Year 2011-12		
	Total available for use for the year ending March 31, 2012	Used during the quarter ended June 30, 2011	Year to date used at the quarter-end
	66,782,204	15,303,914	15,303,914
	66,782,204	15,303,914	15,303,914
	66,782,204	15,303,914	15,303,914

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Table 2 : Departmental budgetary expenditures by Standard Object (unaudited)

	Fiscal Year 2012-13			Fiscal Year 2011-12		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended June 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended June 30, 2011	Year to date used at quarter-end
Expenditures:						
Personnel	40,346,526	10,206,954	10,206,954	41,937,630	9,546,039	9,546,039
Transportation and communications	3,447,753	637,705	637,705	2,959,182	517,268	517,268
Information	588,012	120,105	120,105	663,981	153,842	153,842
Professional and special services	14,666,182	1,805,000	1,805,000	13,773,031	1,548,352	1,548,352
Rentals	8,712,622	2,151,996	2,151,996	8,106,530	2,138,242	2,138,242
Repair and maintenance	1,450,616	678,228	678,228	2,177,901	596,448	596,448
Utilities, materials and supplies	1,212,693	216,415	216,415	1,207,677	199,068	199,068
Acquisition of land, buildings and works						
Acquisition of machinery and equipment	3,663,332	571,721	571,721	3,116,709	602,982	602,982
Transfer payments	250,000	32,500	32,500	250,000	7,000	7,000
Public dept charges						
Other subsidies and payments	896,914	79,697	79,697	1,042,009	282,310	282,310
Total gross budgetary expenditures	75,234,650	16,500,321	16,500,321	75,234,650	15,591,551	15,591,551
Less Revenues netted against expenditures:						
Revenues credited to the vote	8,452,446	740,291	740,291	8,452,446	929,626	929,626
Total Revenues netted against expenditures	8,452,446	740,291	740,291	8,452,446	929,626	929,626
Total net budgetary expenditures	66,782,204	15,760,030	15,760,030	66,782,204	14,661,925	14,661,925